

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 EB-08 TRSE-00 STR-04 OMB-01 CEA-01
COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 SSM-03
/091 W

-----141008Z 065971 /21

R 131536Z APR 77
FM AMEMBASSY DAMASCUS
TO SECSTATE WASHDC 2657
INFO AMEMBASSY AMMAN
AMEMBASSY ABU DHABI
AMEMBASSY CAIRO
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L DAMASCUS 2371

E.O. 11652: GDS
TAGS: EFIN, ECON, SY
SUBJECT: SYRIAN ECONOMIC SITUATION

1. IN CONVERSATION WITH AMBASSADOR APRIL 6, MINECON AND
FOREIGN TRADE IMADI CONFIRMED INFORMATION ON THE SYRIAN
ECONOMY IMPARTED TO US BY THE IMF TEAM WHICH CONCLUDED ITS
VISIT TO SYRIA THE END OF MARCH. IMADI AGREED THAT SYRIA'S
BALANCE OF PAYMENTS DEFICIT IN 1976 AMOUNTED TO ABOUT DOLS
490 MILLION AND THAT THE COUNTRY'S INDUSTRIAL CAPACITY IS
UNDERUTILIZED (IMF ESTIMATES 40 PERCENT UNDERUTILIZATION).
IMADI NOTES THAT SYRIAN PUBLIC SECOR PLANT MANAGERS DEFEND
THEIR PRODUCTION METHODS BUT THAT THE SARG WAS STUDYING THE
PROBLEM OF UNDERUTILIZATION. IMADI ALSO AGREED WITH THE
IMF ESTIMATE THAT SUBSIDIES FOR FOOD AND OTHER GOODS SUCH
AS BUILDING MATERIALS (MUCH OF THEM IMPORTED) COST SYRIA
ABOUT DOLS 900 MILLION LAST YEAR. IMADI ADDED THAT
HE EXPECTS SOME IMPROVEMENT IN THE FOREIGN EXCHANGE
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SITUATION, AS GOVERNMENT-IMPOSED PRICE INCREASES ON
GASOLINE, LIQUOR, COFFEE, AND IRON BARS TAKE HOLD.
COMMENT: SARG ALSO HAS PUT TIGHT RESTRICTIONS ON THE
IMPORTATION OF PASSENGER CARS AND THE ISSUANCE OF
LETTERS OF CREDIT, WHICH MAY BE LINKED TO CURRENT FOREIGN
EXCHANGE SHORTAGES. END COMMENT. IMADI, WHO HAS LONG
CHAMPIONED BELT-TIGHTENING MEASURES, ADMITS MORE NEEDS

TO BE DONE, INCLUDING INCREASES IN THE PRICE OF BREAD, FUEL OIL, AND SUGAR, TAX INCREASES, EXPORT STIMULATION, AND REDUCTION OF GOVERNMENT SPENDING AND IMPORTS. PRIME MINISTER KHULAYFAWI, HE BELIEVES, FEARS THE POLITICAL COSTS OF THESE UNPOPULAR MEASURES BUT IS SLOWLY GRASPING THE NECESSITY OF IMPOSING DISCIPLINE ON THE ECONOMY. IMADI BELIEVES PRICE SUBSIDIES WILL BE STEADILY BUT QUIETLY ELIMINATED. INFLATION, IMADI OBSERVED, HAS EASED, ALTHOUGH HE DID NOT VOLUNTEER A FIGURE, FROM A 1974 HIGH OF ABOUT 30 PERCENT. SYRIA, HE ADDED, HAS A GOLD TRANCHE OF DOLS 32.5 MILLION WITH THE IMF AND WISHES TO USE IT. HE NOTED THAT SYRIA HAS USED ITS GOLD TRANCHE BEFORE, BEGINNING IN 1962.

2. IMADI DISMISSED AS "STUPID" THE 1977 SYRIAN BUDGET ANNOUNCED AT 17 BILLION SP (DOLS. 4.36 BILLION). THE PRIME MINISTER, HOWEVER, HAD BEEN ANXIOUS TO PUT THE BUDGET, ALREADY MUCH DELAYED, BEFORE THE PEOPLE'S COUNCIL. IMADI SAID HE HAD SUCCEEDED IN "SQUEEZING" THE BUDGET AND HAD WANTED TO REDUCE IT FURTHER BEFORE SUBMISSION. HE NOTED THAT THE 1977 BUDGET WAS ACTUALLY SLIGHTLY LESS, IN REAL DOLLAR TERMS, THAN THE ANNOUNCED 1976 BUDGET OF 16 BILLION SP (DOLS 4.1 BILLION). HE THOUGHT PROBABLE AID SHORTFALLS IN 1977 WOULD REDUCE THE ACTUAL BUDGET EVEN FURTHER; ACTUAL EXPENDITURES IN 1977 MIGHT BE ABOUT THE SAME LEVEL AS 1976: 13 BILLION SP (3.3 BILLION DOLS). HE ADDED THAT SYRIA EXPECTED A POOR HARVEST IN 1977: "VERY BAD" IN BARLEY, "BAD" IN WHEAT, BUT COTTON SHOULD BE ABOUT NORMAL.
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3. IMADI CLOSED MEETING BY ASKING WHAT AMBASSADOR THOUGHT PRESIDENTS ASAD AND CARTER MIGHT DISCUSS AT THEIR FORTHCOMING SUMMIT. HE HOPED THEY WOULD DISCUSS INCREASES IN U.S. AID TO SYRIA, INCLUDING PERHAPS COMMODITY LOANS FOR SUCH COMMODITIES AS STEEL AND CEMENT. IMADI WOULD ALSO LIKE TO SEE THE USG ENCOURAGE AMERICAN OIL COMPANIES TO COME TO SYRIA.

4. COMMENT: IMADI'S PESSIMISM IS NOT NEW. HE HAS CONSISTENTLY ADVOCATED IMPOSITION OF AUSTERITY MEASURES AND GRADUAL REDUCTION OF SUBSIDIES, AND HAS NOT HESITATED TO EXPRESS HIS FRUSTRATION AT THE POLITICAL LEADERSHIP'S POSTPONEMENT OF THESE HARD DECISIONS. TWO POSITIVE ELEMENTS ARE EVIDENT: FIRST, THAT IMADI BELIEVES HE IS MAKING PROGRESS ON THE SUBSIDIES ISSUE, AND MORE IMPORTANT, THAT IMADI HIMSELF STILL HEADS THE MINISTRY OF ECONOMY, A VOICE OF ECONOMIC COMMON SENSE ON THE SYRIAN SCENE.

PELLETREAU

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